
Tobin & Co.

Rapid River Township

Kalkaska County, Michigan

Audit Report

For the Year Ended June 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------------------------------|---------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Rapid River Township | County Kalkaska |
| Fiscal Year End 6/30/07 | Opinion Date 11/20/07 | Date Audit Report Submitted to State 12/12/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) |
|------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------|
| Financial Statements | <input checked="" type="checkbox"/> | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | |
| Other (Describe) | <input type="checkbox"/> | |
| Certified Public Accountant (Firm Name) Tobin & Co., PC | | Telephone Number 231 947-0151 |
| Street Address 400 E. Eighth Street | | City Traverse City |
| | | State MI |
| | | Zip 49686 |
| Authorizing CPA Signature  | Printed Name David L. Basler | License Number 1101013418 |

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Rapid River Township, Kalkaska County, for the year ended June 30, 2007 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Rapid River Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

The records were maintained in very good condition by your Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were in proper order, and supporting documents and follow-up procedures appeared to be in good order. In the process of our audit we noted some shortcomings. In a separate management letter, we have detailed these shortcomings and suggested measures which, if adopted, will improve the accounting records and internal control procedures. Both the noted shortcomings and suggested measures have been discussed with the appropriate officials and, in most instances, these suggestions have already been implemented or have begun to be implemented. Comments and recommendations regarding items other than the accounting records themselves are as follows:

Budgets and Procedures

The Township prepared and adopted budgets for its General and Special Revenue Funds.

Investments

At June 30, 2007 the Township had funds invested through a single brokerage house. All of these investments were in short term mutual funds whose components are legal for Township investment according to Public Act 20.

Property Tax Administration Fees

A 1% property tax administration fee is authorized by statute to offset such property tax administration costs as assessing, collecting and the review and appeal process. Fee collections may be used for no other purpose. We note that Rapid River Township complied with statutory provisions as its administrative expenses exceeded fee collections by \$904 for the audit period. See Schedule 6.

General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance was \$525,585 at June 30, 2007.

Road Fund

This fund, presented on Schedule 2, is used to account for a separately levied property tax of 1.9874 mill. For the audit year tax collections, earned interest, and Metro Act State Shared Revenues totaled \$103,204. Expenditures for road resurfacing totaled \$86,785. The fund balance at June 30, 2007 was \$204,691.

Refuse Fund

The Township levies 1.9873 mill for waste disposal service and Township cleanup. This fund, presented on Schedule 3, is used to account for monies received from this levy. For the audit period, tax collections and earned interest totaled \$96,194. The waste disposal contract and cleanup contracts totaled \$62,239. The fund balance at June 30, 2007 was \$206,365.

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Comments and Recommendations

Current Tax Collections Fund

Property taxes collected were distributed to taxing units prior to the end of the fiscal year. The Township recognizes property tax revenue in the year of levy in accordance with generally accepted accounting principles.

Receipts were filed in order of payment and deposits were made intact. Substantially all personal property taxes were collected prior to the end of the audit period.

See schedules 4 and 5 for the amount levied, collected and returned delinquent for the 2006 property tax levy.

Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, workmen's compensation, property and crime. Coverage was last reviewed by the Board during the audit year. The Clerk, Treasurer, and their deputies and the Supervisor have surety bond coverage.

Payroll Procedures

Payroll records and procedures were in good order.

Other Data

We are pleased to note the use of daily interest savings accounts by the Treasurer. Interest and dividend earnings for the year exceeded \$38,000.

The Clerk and Treasurer present monthly reports to the Township Board. This enhances financial management and compliance with statutory requirements with respect to the budget.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Rapid River Township
Kalkaska County
Kalkaska, Michigan 49646

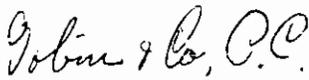
We have audited the accompanying financial statements of the governmental activities and each major fund of Rapid River Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Rapid River Township at June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Rapid River Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
November 20, 2007

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RAPID RIVER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Administrative Officials of the Rapid River Township, Kankaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Rapid River Township for the fiscal year ended June 30, 2007.

Financial Highlights

The assets of Rapid River Township exceeded its liabilities at the close of the most recent fiscal year by \$1,074,420. Of this amount, \$936,641 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$936,641, an increase of \$107,056 in comparison with the prior year. The total amount, \$936,641, is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$525,585, or 438% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Rapid River Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-section business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Public Works, and Health and Welfare. Rapid River Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rapid River Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Rapid River Township are categorized as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Rapid River Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund and the Refuse Fund, which are considered to be major funds. All Township government activities are included in these three funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund Analysis and Highlights

The General Fund bank account has been moved from Alden State Bank to N. W. Bank and Smith Barney. This move assures the funds are insured and the percent of interest earned has been increased.

We have used monies from the General Fund to improve the Township building by renovating the unused garage. The space has been turned into much needed office space for the Treasurer, Supervisor and Assessor and will be used by the Board of Review for their meetings.

Analysis of Balances and Transaction of the Other Township Funds

Road Fund: Road improvements have been made on Seeley Road working in tandem with Kalkaska Township to complete. The Township also improved the approximately two miles of Valley Road that traverse through the Township.

Refuse/Clean up Fund: We have implemented curb-side clean-up. This alleviates hauling trash to transfer stations and has been greatly received by the residents. We are considering holding a hazardous waste clean-up in the future.

Capital and Intangible Assets

The Township's investment in capital and intangible assets for its governmental activities as of June 30, 2007, amounts to \$137,779. This investment in capital assets includes: several parcels of land, the Township Hall and Parking Lot and Office Furniture and Equipment. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives. This fiscal year the amount by which capital outlays exceeded depreciation was \$88,182.

Cash Assets

At the end of the current fiscal year, the Township had \$921,287 in cash and other spendable assets. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

Pension Plan

Township elected officials have the option of having the Township pay Social Security taxes or to join our pension plan. The Township makes contributions equal to 7.5% of each elected official's wage to Municipal Retirement Systems, Inc. This is an expensed item in the budget and totaled \$2,367 for the fiscal year.

Other Township Highlights and Future Plans and Activities

The Township is working toward acquiring State property that adjoins the Westwood Cemetery. If this comes to fruition, the extra acreage would allow a road to be made around the perimeter of the cemetery for better access along with additional cemetery plots.

The Township is also looking to improve the public accesses at Rugg Pond and Croy Lake.

Requests for Information

This financial report is designed to provide a general overview of Rapid River Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to

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Rapid River Township
Statement of Net Assets
June 30, 2007

| | | <u>Primary Government Governmental Activities And Total</u> |
|-------------------------------------------|---------------|-------------------------------------------------------------------------|
| <u>Assets</u> | | |
| Cash | | \$ 627,219 |
| Investments | | 294,068 |
| Receivables | | 15,354 |
| Capital Assets: | | |
| Land | 36,000 | |
| Other Capital Assets, Net of Depreciation | <u>18,248</u> | |
| Total Capital Assets | | <u>54,248</u> |
| Intangible Assets, Net of Amortization | | <u>83,531</u> |
| Total Assets | | <u>1,074,420</u> |
| <u>Liabilities</u> | | |
| Total Liabilities | | <u>-</u> |
| <u>Net Assets</u> | | |
| Invested in Capital and Intangible Assets | | 137,779 |
| Restricted for: | | |
| Roads | | 205,939 |
| Trash Pickup | | 206,365 |
| Unrestricted | | <u>524,337</u> |
| Total Net Assets | | <u>\$ 1,074,420</u> |

See Accompanying Notes to Basic Financial Statements

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Rapid River Township
Statement of Activities
June 30, 2007

| Functions/Programs | Program Revenues | | | Governmental |
|--------------------------------------|--------------------|-----------------|----------------------|-------------------------|
| <u>Expenses</u> | <u>Charges For</u> | <u>Services</u> | <u>Operating</u> | <u>Activities</u> |
| | | | <u>Grants and</u> | <u>and Total</u> |
| | | | <u>Contributions</u> | |
| Governmental Activities: | | | | |
| Legislative | \$ 15,033 | \$ - | \$ - | \$ (15,033) |
| General Government | 75,770 | 5,363 | 5,500 | (64,907) |
| Public Safety | 24,000 | - | 5,865 | (18,135) |
| Public Works | 65,493 | - | 1,248 | (64,245) |
| Health and Welfare | <u>425</u> | <u>-</u> | <u>-</u> | <u>(425)</u> |
| Total Governmental Activities | <u>\$ 180,721</u> | <u>\$ 5,363</u> | <u>\$ 12,613</u> | <u>(162,745)</u> |
| | | | | |
| General Revenues: | | | | |
| Property Taxes | | | | 247,803 |
| Unrestricted State Grants | | | | 68,903 |
| Unrestricted Investment Earnings | | | | 38,232 |
| Unrestricted Rents and Royalties | | | | 997 |
| Miscellaneous | | | | <u>2,048</u> |
| Total General Revenues | | | | 357,983 |
| | | | | |
| Change in Net Assets | | | | 195,238 |
| Net Assets – Beginning | | | | <u>879,182</u> |
| Net Assets – Ending | | | | <u>\$ 1,074,420</u> |

See Accompanying Notes to Basic Financial Statements

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Rapid River Township
Balance Sheet
Governmental Funds
June 30, 2007

| | General | Road | Trash Pickup | Total |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|
| <u>Assets</u> | | | | |
| Cash | \$ 422,684 | \$ - | \$ 204,535 | \$ 627,219 |
| Investments | 91,206 | 202,862 | - | 294,068 |
| Accounts Receivable | 10,784 | - | - | 10,784 |
| Delinquent Taxes Receivable | 911 | 1,829 | 1,830 | 4,570 |
| Total Assets | <u>\$ 525,585</u> | <u>\$ 204,691</u> | <u>\$ 206,365</u> | <u>\$ 936,641</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Total Liabilities | - | - | - | - |
| Fund Balances: | | | | |
| Unrestricted | 525,585 | 204,691 | 206,365 | 936,641 |
| Total Fund Balances | 525,585 | 204,691 | 206,365 | 936,641 |
| Total Liabilities and Fund Balances | <u>\$ 525,585</u> | <u>\$ 204,691</u> | <u>\$ 206,365</u> | |
| Amounts reported for governmental activities on the statement of net assets are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 137,779 |
| Net assets of governmental activities. | | | | <u>\$ 1,074,420</u> |

See Accompanying Notes to Basic Financial Statements

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Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

| | General | Road | Trash Pickup | Total |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 67,010 | \$ 90,402 | \$ 90,391 | \$ 247,803 |
| Federal Grants | 5,500 | - | - | 5,500 |
| State Grants | 70,151 | 5,865 | - | 76,016 |
| Charges for Services | 5,363 | - | - | 5,363 |
| Interest and Rents | 26,489 | 6,937 | 5,803 | 39,229 |
| Other | 2,048 | - | - | 2,048 |
| | 176,561 | 103,204 | 96,194 | 375,959 |
| <u>Expenditures</u> | | | | |
| Legislative | 14,708 | - | - | 14,708 |
| General Government | 64,475 | - | - | 64,475 |
| Public Safety | 24,000 | - | - | 24,000 |
| Public Works | - | 86,785 | 62,239 | 149,024 |
| Health and Welfare | 425 | - | - | 425 |
| Other | 7,860 | - | - | 7,860 |
| Capital Outlay | 8,411 | - | - | 8,411 |
| | 119,879 | 86,785 | 62,239 | 268,903 |
| <u>Excess Revenues (Expenditures) and Net Change in Fund Balances</u> | 56,682 | 16,419 | 33,955 | 107,056 |
| Fund Balance – Beginning of Year | 468,903 | 188,272 | 172,410 | |
| Fund Balance – End of Year | \$ 525,585 | \$ 204,691 | \$ 206,365 | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives is reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current year. | | | | 88,182 |
| Change in net assets of governmental activities. | | | | \$ 195,238 |

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Rapid River Township
Statement of Fiduciary Net Assets
June 30, 2007

| | <u>Agency Funds</u> |
|----------------------------------|-------------------------|
| <u>Assets</u> | |
| Cash | \$ 28,433 |
| Total Assets | <u>28,433</u> |
| <u>Liabilities</u> | |
| Undistributed Taxes and Interest | <u>28,433</u> |
| Total Liabilities | <u>28,433</u> |
| Net Assets | <u>\$ -</u> |

See Accompanying Notes to Basic Financial Statements

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Rapid River Township
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rapid River Township is a general law township located in Kalkaska County. Population as of the 2000 census was 1,005, and the current taxable value for assessed property is \$44,754,433.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Tobin & Co.

Rapid River Township
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Tobin & Co.

Rapid River Township
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Assets capitalized have an original cost of \$1,000 to \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|------------------------|----------|
| Land Improvements | 20 years |
| Buildings | 40 years |
| Building Improvements | 25 years |
| Furniture and Fixtures | 10 years |
| Equipment | 5 years |
| Vehicles | 10 years |

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to reord the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiseal year the Township levied property taxes as follows:

| | <u>SEV</u> | <u>Taxable Value</u> | <u>Millage Rate</u> |
|-------------------|---------------|----------------------|---------------------|
| General Operating | \$ 61,416,800 | \$ 44,754,433 | .9901 |
| Roads | \$ 61,416.800 | \$ 44,754,433 | 1.9874 |
| Rcfuse | \$ 61,416,800 | \$ 44.754,433 | 1.9873 |

G. Investments

At June 30, 2007, the Township investments consisted of the following:

| | <u>Carrying Value</u> |
|-------------------------------------------------------------|-----------------------|
| Salomon Smith Barney (General Fund) Insured Deposit Account | \$ 91,206 |
| Salomon Smith Barney (Road Fund) Insured Deposit Aceount | \$ 202.648 |

The carrying value of these investments is substantially the same as cost.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tobin & Co.

Rapid River Township
Notes to Financial Statements
June 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2007.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007 the Township complied with this provision of Public Act 621 of 1978.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$679,791 with a carrying value of \$655,652 deposited with local banks at June 30, 2007. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$482,126 of uninsured deposits at June 30, 2007.

Tobin & Co.

Rapid River Township
Notes to Financial Statements
June 30, 2007

NOTE 4 - CAPITAL AND INTANGIBLE ASSETS

Capital assets consisted of:

| | <u>6/30/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/07</u> |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Land and Land Improvements | \$ 43,898 | \$ - | \$ - | \$ 43,898 |
| Buildings | 12,100 | 1,305 | - | 13,405 |
| Furniture, Fixtures and Equipment | <u>18,019</u> | <u>6,816</u> | - | <u>24,835</u> |
| Total | 74,017 | 8,121 | - | 82,138 |
| Less Accumulated Depreciation | <u>(24,420)</u> | <u>(3,470)</u> | - | <u>(27,890)</u> |
| Capital Assets, Net | <u>\$ 49,597</u> | <u>\$ 4,651</u> | <u>\$ -</u> | <u>\$ 54,248</u> |

Intangible assets at June 30, 2007 consisted of audit year improvements of county owned roads of \$86,785 less accumulated amortization of \$3,254.

NOTE 5 - LOANS AND TRANSFERS BETWEEN FUNDS

There were no inter-fund loans, advances or transfers during the audit year.

NOTE 6 - INVENTORIES

Rapid River Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 7 - PENSION PLAN

Rapid River Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by Governmental Benefits Group and is available to elected officials. The plan allows employees to defer a portion of their salary until a future date. The Township is required to contribute 7.5% of compensation of all eligible employees. Contributions become immediately available to the employee at death, termination, retirement or disability and are 100% vested.

During the audit year the Township made all required contributions and contributed \$2,367. Eligible payroll was \$31,577 out of a total payroll of \$40,528.

NOTE 8 - PROPERTY TAX ADMINISTRATION FEES

As permitted by statute, the Township levied a 1% administration fee on all 2006 property taxes. This fee may be used only for property tax administration expenses such as assessing, collecting and the review and appeal process. For the audit period, costs exceeded revenues by \$904, reflecting compliance with statutory requirement.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10- COMPENSATED ABSENCES

The Township does not provide for the payment to employees for sick leave, accumulated leave, etc.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2007

Schedule 1
Page 1

| <u>Revenues</u> | <u>Budgetary Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------------|--------------------------|-----------------------|-----------------------|-------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Taxes: | | | | |
| Current Taxes | \$ 37,500 | \$ 37,500 | \$ 37,575 | \$ 75 |
| Delinquent Taxes | 4,000 | 4,000 | 7,459 | 3,459 |
| Penalties and Interest on Taxes | 200 | 200 | - | (200) |
| Property Tax Administration Fees | 15,400 | 15,400 | 16,071 | 671 |
| Swamp Tax | 5,500 | 5,500 | 5,901 | 401 |
| Commercial Forest | 23 | 23 | 4 | (19) |
| Federal Grants: | | | | |
| Election | - | - | 5,500 | 5,500 |
| State Grants: | | | | |
| State Shared Revenues | 67,000 | 67,000 | 68,903 | 1,903 |
| State Grants – Bankhead Jones | - | - | 1,248 | 1,248 |
| Charges for Services: | | | | |
| Summer Tax Collection | 5,000 | 5,000 | 5,318 | 318 |
| Fees | 200 | 200 | 45 | (155) |
| Interest and Rents: | | | | |
| Earned Interest | 8,000 | 8,000 | 25,492 | 17,492 |
| Rents | 700 | 700 | 997 | 297 |
| Other: | | | | |
| Refunds and Reimbursements | <u>500</u> | <u>500</u> | <u>2,048</u> | <u>1,548</u> |
| Total Revenues | <u>144,023</u> | <u>144,023</u> | <u>176,561</u> | <u>32,538</u> |
| <u>Expenditures</u> | | | | |
| Legislative: | | | | |
| Township Board: | | | | |
| Salaries and Wages | - | - | 3,627 | - |
| Supplies | - | - | 741 | - |
| Postage | - | - | 755 | - |
| Accounting | - | - | 290 | - |
| Legal | - | - | 509 | - |
| Education and Mileage | - | - | 195 | - |
| Printing and Publishing | - | - | 348 | - |
| Street Lighting | - | - | 936 | - |
| Other | - | - | 6,305 | - |
| Dues | - | - | 1,002 | - |
| Total | <u>10,420</u> | <u>16,535</u> | <u>14,708</u> | <u>1,827</u> |
| Total Legislative | <u>10,420</u> | <u>16,535</u> | <u>14,708</u> | <u>1,827</u> |
| General Government: | | | | |
| Township Supervisor: | | | | |
| Salaries and Wages | - | - | 6,270 | - |
| Education and Mileage | - | - | 196 | - |
| Total | <u>7,250</u> | <u>7,250</u> | <u>6,466</u> | <u>784</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2007

Schedule 1
Page 2

| | Budgetary Amounts | | Actual | Variance Favorable (Unfavorable) |
|----------------------------------------|-------------------|--------|--------|----------------------------------------|
| | Original | Final | | |
| <u>Expenditures (Continued)</u> | | | | |
| <u>General Government (Continued):</u> | | | | |
| Elections: | | | | |
| Salaries and Wages | - | - | 3,503 | - |
| Supplies | - | - | 2,028 | - |
| Education and Mileage | - | - | 219 | - |
| Printing and Publishing | - | - | 6 | - |
| Total | 4,485 | 5,756 | 5,756 | - |
| Assessor: | | | | |
| Postage | - | - | 820 | - |
| Contractual Services | - | - | 9,582 | - |
| Computer Services | - | - | 595 | - |
| Total | 11,300 | 11,300 | 10,997 | 303 |
| Clerk: | | | | |
| Salaries and Wages | - | - | 10,134 | - |
| Supplies | - | - | 111 | - |
| Postage | - | - | 86 | - |
| Contractual Services | - | - | 389 | - |
| Education and Mileage | - | - | 179 | - |
| Total | 11,950 | 11,950 | 10,899 | 1,051 |
| Board of Review: | | | | |
| Salaries and Wages | - | - | 960 | - |
| Education and Mileage | - | - | 62 | - |
| Total | 2,100 | 2,100 | 1,022 | 1,078 |
| Treasurer: | | | | |
| Salaries and Wages | - | - | 14,790 | - |
| Supplies | - | - | 28 | - |
| Postage | - | - | 1,208 | - |
| Contractual Services | - | - | 1,805 | - |
| Computer Services | - | - | 423 | - |
| Education and Mileage | - | - | 570 | - |
| Total | 19,400 | 19,400 | 18,824 | 576 |
| Township Hall and Grounds: | | | | |
| Supplies | - | - | 125 | - |
| Contractual Services | - | - | 2,357 | - |
| Telephone | - | - | 592 | - |
| Public Utilities | - | - | 1,872 | - |
| Maintenance and Repairs | - | - | 904 | - |
| Total | 6,550 | 6,550 | 5,850 | 700 |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2007

Schedule 1
Page 3

| | Budgetary Amounts | | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|-------------------|-------------|------------|----------------------------------------|
| | Original | Final | | |
| <u>Expenditures (Continued)</u> | | | | |
| General Government (Continued): | | | | |
| Cemetery: | | | | |
| Contractual Services | - | - | 3,398 | - |
| Total | 4,550 | 4,550 | 3,398 | 1,152 |
| Nuisance Ordinance Enforcement: | | | | |
| Salaries and Wages | - | - | 945 | - |
| Supplies | - | - | 12 | - |
| Contractual Services | - | - | 195 | - |
| Education and Mileage | - | - | 111 | - |
| Total | 3,310 | 3,310 | 1,263 | 2,047 |
| Total General Government | 70,895 | 72,166 | 64,475 | 7,691 |
| Public Safety: | | | | |
| Fire Protection: | | | | |
| Contractual Services | 30,000 | 30,000 | 24,000 | 6,000 |
| Total Public Safety | 30,000 | 30,000 | 24,000 | 6,000 |
| Health and Welfare: | | | | |
| Hospital Subsidy | - | - | 425 | - |
| Total Health and Welfare | 425 | 425 | 425 | - |
| Other: | | | | |
| Employee Benefits and Insurance | 9,100 | 8,785 | 7,860 | 925 |
| Other | 2,310 | 2,310 | - | 2,310 |
| Contingencies | 22,000 | 14,929 | - | 14,929 |
| Total Other | 33,410 | 26,024 | 7,860 | 18,164 |
| Capital Outlay | 32,000 | 32,000 | 8,411 | 23,589 |
| Total Expenditures | 177,150 | 177,150 | 119,879 | 57,271 |
| <u>Excess Revenues (Expenditures)</u> | (1) \$ (33,127) | \$ (33,127) | 56,682 | \$ 89,809 |
| Fund Balance – Beginning of Year | | | 468,903 | |
| Fund Balance – End of Year | | | \$ 525,585 | |

(1) Budgeted from Fund Balance

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Road Fund
For the Year Ended June 30, 2007

Schedule 2

| <u>Revenues</u> | <u>Budgetary Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|--------------------------|--------------------|-------------------|-------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Taxes: | | | | |
| Current Property Taxes | \$ 66,000 | \$ 66,000 | \$ 75,428 | \$ 9,428 |
| Delinquent Property Taxes | 17,000 | 17,000 | 14,974 | (2,026) |
| State Grants: | | | | |
| Metro Act | 2,000 | 2,000 | 5,865 | 3,865 |
| Interest and Rents: | | | | |
| Interest | 1,000 | 1,000 | 6,937 | 5,937 |
| Total Revenues | 86,000 | 86,000 | 103,204 | 17,204 |
| <u>Expenditures</u> | | | | |
| Contractual | - | - | 86,785 | - |
| Total | 170,610 | 170,610 | 86,785 | 83,825 |
| <u>Excess Revenues (Expenditures)</u> | (1) <u>\$ (84,610)</u> | <u>\$ (84,610)</u> | 16,419 | <u>\$ 101,029</u> |
| Fund Balance – Beginning of Year | | | 188,272 | |
| Fund Balance – End of Year | | | <u>\$ 204,691</u> | |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Trash Pickup Fund
For the Year Ended June 30, 2007

Schedule 3

| | Budgetary Amounts | | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|-------------------|------------------|-------------------|----------------------------------------|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Taxes: | | | | |
| Current Property Taxes | \$ 65,500 | \$ 65,500 | \$ 75,418 | \$ 9,918 |
| Delinquent Property Taxes | 18,200 | 18,200 | 14,973 | (3,227) |
| Interest and Rents: | | | | |
| Interest | 3,000 | 3,000 | 5,803 | 2,803 |
| Total Revenues | 86,700 | 86,700 | 96,194 | 9,494 |
| <u>Expenditures</u> | | | | |
| Contractual Services | - | - | 62,239 | - |
| Total | 58,150 | 62,239 | 62,239 | - |
| <u>Excess Revenues (Expenditures)</u> | <u>\$ 28,550</u> | <u>\$ 24,461</u> | 33,955 | <u>\$ 9,494</u> |
| Fund Balance -- Beginning of Year | | | 172,410 | |
| Fund Balance -- End of Year | | | <u>\$ 206,365</u> | |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended June 30, 2007

Schedule 4

| | <u>Balance</u> <u>6/30/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/07</u> |
|----------------------------------|----------------------------------|---------------------|---------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash | \$ 26.806 | \$ 1,527,233 | \$ 1,525,606 | \$ 28,433 |
| Total Assets | <u>\$ 26.806</u> | <u>\$ 1,527,233</u> | <u>\$ 1,525,606</u> | <u>\$ 28,433</u> |
| <u>Liabilities</u> | | | | |
| Undistributed Taxes and Interest | \$ 26.806 | \$ 1,527,233 | \$ 1,525,606 | \$ 28,433 |
| Total Liabilities | <u>\$ 26.806</u> | <u>\$ 1,527,233</u> | <u>\$ 1,525,606</u> | <u>\$ 28,433</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
2006 Property Tax Levy and Collections
For the Year Ended June 30, 2007

Schedule 5

| | Millage Rate | Adjusted Levy | Collected | Returned Delinquent |
|-------------------------------|-----------------|------------------|------------------|------------------------|
| County | 5.4562 | \$ 244,022 | \$ 206,291 | \$ 37,731 |
| Commission on Aging | 0.4988 | 22,299 | 18,931 | 3,368 |
| Library | 0.2488 | 11,122 | 9,442 | 1,680 |
| Transit | 0.2500 | 11,176 | 9,496 | 1,680 |
| Sportsplex | 0.6985 | 31,236 | 26,478 | 4,758 |
| Hospital | 1.7000 | 76,029 | 64,540 | 11,489 |
| State Education | 6.0000 | 268,355 | 229,816 | 38,539 |
| School District | 20.1000 | 541,891 | 499,555 | 42,336 |
| School District | 24.3838 | 60,771 | 45,718 | 15,053 |
| Intermediate School District | 2.9421 | 131,582 | 112,599 | 18,983 |
| Township Taxes: | | | | |
| - General | 0.9901 | 44,277 | 37,589 | 6,688 |
| - Road | 1.9874 | 88,882 | 75,455 | 13,427 |
| - Refuse | 1.9873 | 88,871 | 75,446 | 13,425 |
| Total | | \$ 1,620,513 | \$ 1,411,356 | \$ 209,157 |
| Percent of Levy Collected | | 87.09% | | |

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Rapid River Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended June 30, 2007

Schedule 6

Revenues

| | |
|----------------------------------|---------------|
| Property Tax Administration Fees | \$ 16,071 |
| Collection Fee | <u>5,318</u> |
| Total Revenues | <u>21,389</u> |

Expenditures

| | |
|------------------------------------------------------|-----------------|
| Assessor | 10,997 |
| Board of Review | 1,022 |
| Treasurer – 60% of Salaries | 8,874 |
| Utilities, Use of Building, Insurance, Miscellaneous | 500 |
| Postage and Supplies | <u>900</u> |
| Total Expenditures | <u>22,293</u> |
| Excess Revenues (Expenditures) | <u>\$ (904)</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.